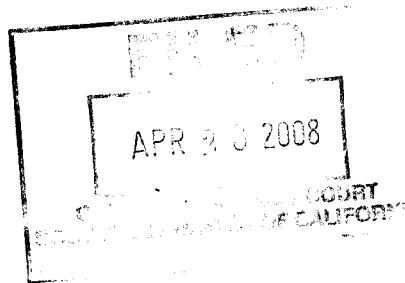


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08 CV 0764 BEN-NLS

9
 10 **UNITED STATES DISTRICT COURT**
 11
 12 **SOUTHERN DISTRICT OF CALIFORNIA**

13 SECURITIES AND EXCHANGE COMMISSION,

14 Case No.

15 Plaintiff,

**EX PARTE APPLICATION OF
 PLAINTIFF SECURITIES AND
 EXCHANGE COMMISSION FOR
 TEMPORARY RESTRAINING
 ORDER; ORDERS:
 (1) FREEZING ASSETS;
 (2) REQUIRING ACCOUNTINGS;
 (3) PROHIBITING THE
 DESTRUCTION OF DOCUMENTS;
 (4) EXPEDITING DISCOVERY; (5)
 APPOINTING A TEMPORARY
 RECEIVER; AND ORDER TO
 SHOW CAUSE RE PRELIMINARY
 INJUNCTION AND APPOINTMENT
 OF A PERMANENT RECEIVER**

16 vs.
 17 PLUS MONEY, INC, and MATTHEW LA
 18 MADRID

19 Defendants,

20 and

21 THE PREMIUM RETURN FUND LIMITED-
 22 LIABILITY LIMITED PARTNERSHIP; THE
 23 PREMIUM RETURN FUND II, LIMITED-
 LIABILITY LIMITED PARTNERSHIP; THE
 24 PREMIUM RETURN FUND III, LIMITED-
 LIABILITY LIMITED PARTNERSHIP;
 RETURN FUND, LLC; RETURN FUND II,
 LLC; RETURN FUND III, LLC; RETURN
 FUND IV, LLC; RETURN FUND V, LLC;
 RETURN FUND VI, LLC; PALLADIUM
 HOLDING COMPANY; and DONALD LOPEZ,

25 Relief Defendants.

1 By this *Ex Parte* Application, Plaintiff Securities and Exchange Commission
2 (“Commission”) seeks a temporary restraining order and other emergency relief to halt
3 immediately an ongoing investment adviser fraud being perpetrated by Matthew “Beau” La
4 Madrid and the entity he controls, Plus Money, Inc. (collectively, the “Defendants”).

5 Since May 2004, the Defendants have acted as investment advisers to three purported
6 hedge funds (the “Funds”) that cumulatively raised at least \$30.6 million from over 300
7 investors. The Defendants claim to employ a lucrative investment strategy involving the
8 purchase and sale of covered call options. Although Plus Money and La Madrid apparently
9 employed some variation of a covered call-option trading strategy for a period of time, and
10 although Plus Money and La Madrid continued to pay purported monthly profits to Fund
11 investors for a time even after all trading activity had ceased, it is unclear how much profit, if
12 any, Plus Money and La Madrid actually generated from this strategy.

13 Between September and October 2007, without informing investors, Plus Money and La
14 Madrid wired \$7.6 million from the Funds’ brokerage accounts to Vision Quest Investments, a
15 dba La Madrid formed in September 2007. On November 14, 2007, Vision Quest wired \$10
16 million to relief defendant Palladium Holding Company, an entity controlled by relief defendant
17 Donald Lopez. Soon after receiving these funds, Palladium transferred \$5 million to a brokerage
18 account it controlled, and began executing numerous short-sell transactions of Treasury bonds.
19 This rampant trading activity has caused a steady dissipation of the assets in Palladium’s
20 brokerage account. As of April 25, 2008, only \$2.425 million remained available, and at least
21 \$875,000 had been wired from Palladium’s brokerage account to its bank account.

22 Palladium dissipated the other \$5 million received through Vision Quest to a variety of
23 individuals and entities – purchasing several cars, transferring substantial funds to real estate title
24 companies, and funneling \$500,000 back to La Madrid personally.

25 By engaging in this conduct, the Defendants have violated, and unless enjoined will
26 continue to violate, the antifraud provisions of the Investment Advisers Act of 1940.
27 Accordingly, the Commission seeks against each of the Defendants, a temporary restraining
28 order; an asset freeze; an order requiring accountings; an order prohibiting the destruction of

1 documents; an order expediting discovery; an order appointing a temporary receiver over Plus
2 Money, and an order to show cause regarding the propriety of issuing a preliminary injunction to
3 continue the requested relief pending trial. In addition, the Commission seeks against each of the
4 Relief Defendants, an asset freeze and an order appointing a receiver over relief defendants The
5 Premium Return Fund Limited-Liability Limited Partnership, The Premium Return Fund II
6 Limited-Liability Limited Partnership, The Premium Return Fund III Limited-Liability Limited
7 Partnership, Return Fund I, LLC, Return Fund II, LLC, Return Fund III, LLC, Return Fund IV,
8 LLC, Return Fund V, LLC, Return Fund VI, LLC.

9 The Commission applies for this *emergency* injunctive relief on an *ex parte* basis, and,
10 pursuant to Local Rule 83.3(h), seeks waiver of the notice requirements of Federal Rule of Civil
11 Procedure 65(b). Waiver of notice is appropriate because it is clear from the evidence submitted
12 in support of the Commission's application that the interests of justice require that the
13 application be heard without notice to the Defendants. The fraudulent scheme is ongoing as
14 Defendants continue to deceive investors as to the true nature and current status of their
15 investments. It is important that the offering proceeds be frozen and a receiver be appointed so
16 that the funds are preserved for the investors. The Defendants improperly transferred at least
17 \$7.6 million of investor funds from the Fund brokerage accounts to La Madrid and then to relief
18 defendants Palladium Holding Company and Donald Lopez. Palladium Holding Company and
19 Lopez immediately began dissipating these funds by engaging in a series of short-sell
20 transactions involving Treasury bonds, as well as transferring at least \$4.5 million to numerous
21 other individuals and entities. Furthermore, since February 2008, Palladium has withdrawn
22 \$875,000 from its brokerage account, including a \$100,000 transfer on April 15, 2008. The
23 assets are at risk of further dissipation by Defendants and relief defendants unless emergency
24 relief is granted.

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1 In light of the foregoing, counsel for the Commission has not advised Defendants, Relief
2 Defendants, or their counsel of the date, time, or substance of the Commission's Ex Parte
3 Application.

4
5 DATED: April 28, 2008

Respectfully submitted,

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7 By: Peter F. Del Greco

8
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11 Attorneys for Plaintiff
Securities and Exchange Commission

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